

March 27, 2008

Board of Governors of the Federal Reserve

RE: Proposed Rule Amending Regulation Z (Truth in Lending and HOEPA)

Dear Board Members:

I am a licensed mortgage broker in the state of Florida. As of June of 2007 Florida had 81,695 licensed mortgage brokers and 9,497 licensed mortgage broker businesses. In Florida we brokers and broker businesses are regulated by the Office of Financial Regulation / Division of Finance. To become licensed we are required to take 24 hours of pre-licensing classroom study. Once licensed we must take 14 hours of continuing education training within the last 2 years of renewing our license which is renewable every 2 years.

Mortgage brokers not only bring additional business to the Banks and Lenders but we provide a service to the borrowers. Not only do we do their mortgage loan and rate shopping for them but we provide personalized hands on service from start to finish through the process that they can not get from the large organizations when they go direct. We spend much of our time educating them on the process of purchasing a home, what's required to obtain financing, how important good credit is to getting the best loans and rates and often times recommendations or advice on NOT going through with a transaction that is not in their best interest. As the intermediary between the borrowers and lenders we provide an important service to both parties without representing either. The lenders get a quality borrower who understands the product they are getting and the borrower gets the best deal available.

As Mortgage Brokers we encourage our borrowers to comparison shop and try to give them the knowledge to know when they are truly comparing apples to apples when they shop, as many loan originators do not have the same disclosure requirements as brokers and can often have hidden or undisclosed fees and expenses. If all mortgage originators (not just brokers) had the same disclosure requirements then the borrower's ability to comparison shop would be much easier and there would be less deceptive practices taking place. This is where the focus should be (the same disclosure requirements for ALL originators) for the borrower's sake rather than assuming the whole problem lies with brokers. This would eliminate other loan originators from steering borrowers away from brokers who can offer them a better loan/lower costs. It would also allow competition that would give borrowers more choices and better products and pricing.

Mortgage Brokers are required to disclose ALL their fees on both the GFE and the HUD-1 while lenders are NOT required to disclose the compensation they pay to their

sales staff. Whether or not there is a broker involved in a transaction the fees/costs are similar. Brokers utilize a portion of the yield spread premium to defray the cost of being in business and facilitating the loan. Just because a yield spread premium is paid on a loan does not mean the borrower did not get a good loan at a good price AND often better than they would get going to a direct lender.

With many if not most of the direct lenders reselling the loans they originate there is not much difference between them and a mortgage broker. The borrowers certainly cannot often tell the difference because of similar names, signage and marketing techniques. Borrowers should not need to tell the difference as long as the end result is them getting the best deal at the best price.

Requiring Mortgage Brokers to give a firm precise dollar estimate of fees in a transaction at the time of application is a totally unreasonable requirement that must be intended for the purpose of putting brokers out of business. I guarantee you that even the direct lenders would be hard pressed to successfully accomplish this when at that point in the transaction you do not know the borrowers true financial situation, final product, and final loan amount and credit details. Believe it or not borrowers do not always disclose everything that lenders need to know upfront whether it's intentional or unintentional. We usually have a very good idea what the price and costs would be based on what we are told by the borrower but until you've collected the documentation to prove it, it's not guaranteed. We also try to provide pre-approvals to borrowers shopping for a house and in those cases you don't even have a final/firm purchase price to know the loan amount.

I think the Fed's focus should be on protecting the consumers from ALL loan originators and keeping mortgage brokers in business to encourage the competition that will give the borrowers better pricing and service. I have been in the wholesale lending business both working for a major Florida bank on the receiving end of broker business and now working for a mortgage broker business on the origination end of business, for a total of 25 years. There are good reputable mortgage brokers that deliver quality loans and there are bad, deceptive brokers that gouge their customers. But in my experience I know the same is true for retail originators so the issue is not with the type of originator, it's with the integrity of the originator be it a retail loan officer or a mortgage broker.

Sound quality control and fraud detection practices should be in place for both wholesale and retail mortgage loan businesses. All of us "seasoned" mortgage people knew that the sub prime business would eventually implode and many of us did not involve ourselves in that type of business. Where were the controls when the banks and mortgage lenders (not mortgage brokers) came out offering these products? How can you fault brokers for selling the products offered? I have had personal experience with consumers that didn't care what kind of loan or terms they got as long as they could get in that house they wanted. Even if you're trying to sell them a safe 30 year fixed rate loan, some want ANYTHING else if the rate is a little lower and gives them a lower payment. We have a whole generation of young people raised on credit that base their decisions on whether they can afford the payment, without giving consideration to anything else. But who gets blamed and penalized consistently? The easy scape goat is the Mortgage Broker.

Look at the number of brokers we have just in Florida...isn't our economy bad enough without putting that many more people and company's out of business? The end result you are trying to reach will not be accomplished with this proposed amendment. I would instead suggest putting policies in place that would catch those loan originators and mortgage brokers that practice deceptive advertising and disclosures and penalize THEM or put them out of business. This rule will punish the wrong people. It will punish the honest, fair brokers just trying to make a living and it will punish the consumer by eliminating important competition that allows them the best options.

Thank you all for reading and considering my views on this subject.

Sincerely,

Michelle Grillo
Florida Mortgage Broker